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THE WESTERN ASSURANCE COMPANY

Incorporated in Canada 1851

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HEAD OFFICE: 40 SCOTT STREET, TORONTO

ONE HUNDRED AND SIXTEENTH

ANNUAL REPORT

FOR THE YEAR

1966

BOARD OF DIRECTORS

ALBERT C. ASHFORTH
SIR PAUL BENTHALL, K.B.E.
JACQUES de BILLY, Q.C.
IAN D. DAVIDSON, C.B.E.
RAYMOND DUPUIS, Q.C.
G. BLAIR GORDON
G. ARNOLD HART, M.B.E.
J. G. HUNGERFORD, Q.C.

D. B. MANSUR, C.B.E.
DONALD B. MARTIN, F.I.A.
GRAHAM MORROW, O.B.E.
JOHN L. MCCARTHY
NEIL J. MCKINNON, LL.D.
DONALD M. PRINGLE, Q.C.
H. GREVILLE SMITH, C.B.E.

OFFICERS

Chairman of the Board
GRAHAM MORROW, O.B.E.

President and General Manager
DONALD B. MARTIN, F.I.A.

Vice-President
IAN D. DAVIDSON, C.B.E.

THE ONE HUNDRED AND SIXTEENTH ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE WESTERN ASSURANCE COMPANY

The Directors have pleasure in presenting to the Shareholders the Annual Report of the Company for the year 1966.

Premium Income

The total premiums written during the year, less reinsurances, amount to \$27,500,281. The premiums earned (allowing for the increase in reserve for unearned premiums) amount to \$26,700,073, an increase of \$1,964,647.

Expenditures

The losses paid and outstanding, less recoveries under reinsurances, amount to \$16,559,433; and the commissions, taxes and general expenses \$9,698,456. After allowing for reserves for taxes and expenses due and accrued and for the increased premium reserve there is an underwriting profit of \$598,319.

Investment Income

The income from interest, dividends and rents amounts to \$2,113,090 and after deducting net loss on sale and maturity of securities and charging expenses there is a balance remaining of \$2,069,952.

Earnings of Subsidiary Companies are reflected in this Company's report to the extent only of dividends received from them.

Profit and Loss Account

After careful consideration, it was decided to increase the reserve for unearned premiums on unexpired risks to conform with the Government return requirements of the Canadian and British Insurance Companies Act. At the same time it seemed reasonable to allow certain other reserves not required by this Act to fall into surplus. The net result of these changes, which are detailed in the following accounts, is an increase of surplus of \$98,598.

	1966	1965
The Balance of the Profit and Loss Account brought forward from the previous year is	\$15,765,208	\$15,348,916
Add—Adjustments to Reserves	98,598	
	<u>\$15,863,806</u>	
The total underwriting and investment earnings and profit on foreign exchange, after deducting sundry items, resulted in a profit for the year of	2,712,431	1,670,126
	<u>\$18,576,237</u>	<u>\$17,019,042</u>
These profits have been appropriated as follows:		
Dividends on the Capital Stock	1,247,400	947,100
Provision for Income Taxes	942,955	271,834
Additional Provision for Staff Benefits		34,900
	<u>2,190,355</u>	<u>1,253,834</u>
Balance carried forward to following year	<u>\$16,385,882</u>	<u>\$15,765,208</u>

Assets

The securities are carried at cost prices, the aggregate of which is less than market values at December 31st, 1966. Shareholdings in Subsidiary Companies have also been conservatively valued. Assets increased during the year by \$2,477,953.

Liabilities

The Balance Sheet and Accounts are set up on a conservative basis. The usual generous provision has been made for all known and expected liabilities of every nature.

Exchange

Canadian and U.S. dollars have been treated as of parity. Other currencies are carried at current exchange values on New York.

Dividends

For some years prior to 1965, dividends were maintained at the rate of \$3.40 per share per annum despite a growing investment income. In December 1965 the latter was recognized by a special extra dividend of \$2.75 per share. In 1966 ordinary dividends were paid at the rate of \$4.00 per share with a special extra dividend of \$4.10 per share. The Directors do not expect to continue payment of special extra dividends.

An interim dividend at the rate of \$2.00 per share has been declared and will be paid on 1st April, 1967.

Directors

In the early part of the year, Mr. James Matson, C.B.E. reached retirement age, and Mr. Hugh P. Ham, who had been seriously ill for some months, retired on grounds of ill health. Mr. Matson had been Chairman of the Board since 1961, and Mr. Ham had been President since 1960.

We regret the loss of their help and advice and extend to them all good wishes for a happy retirement.

Following the Annual General Meeting in 1966, Mr. Graham Morrow, O.B.E. was elected Chairman of the Board, and Mr. D. B. Martin, F.I.A. and Mr. Ian D. Davidson, C.B.E. were elected President and Vice-President respectively.

On behalf of the Board,

GRAHAM MORROW, *Chairman*
D. B. MARTIN, *President*.

TORONTO, 16th March, 1967.

REVENUE ACCOUNTS

FIRE DEPARTMENT

	1966	1965		1966	1965
Fund at beginning of year			Losses incurred	\$ 3,651,810	\$ 3,514,446
Reserve for unexpired risks . .	\$ 4,148,303	\$ 3,596,800	Commission	1,967,833	1,967,986
Add—adjustment to			General Expenses	1,370,244	1,359,024
Statutory Basis Canadian			Taxes	166,388	139,904
and British Insurance			Fund at end of year		
Companies Act	1,233,186		Reserve for unexpired risks . .	5,924,816	4,148,303
	\$ 5,381,489				
Deduct—adjustment due to			Transfer to Profit and		
revaluation of certain			Loss Account	157,778	48,512
foreign currencies	18,479			\$13,238,869	\$11,178,175
	\$ 5,363,010				
Premiums	7,875,859	7,581,375			
	\$13,238,869	\$11,178,175			

CASUALTY DEPARTMENT

Fund at beginning of year			Losses incurred	\$11,040,758	\$ 9,703,886
Reserve for unexpired risks . .	\$ 5,292,537	\$ 4,506,756	Commission	2,876,561	2,769,177
Add—adjustment to			General Expenses	2,380,973	2,115,123
Statutory Basis Canadian			Taxes	327,719	281,060
and British Insurance			Fund at end of year		
Companies Act	956,481		Reserve for unexpired risks . .	6,932,090	5,292,537
	\$ 6,249,018				
Deduct—adjustment due to			Transfer to Profit and		
revaluation of certain			Loss Account	350,110	86,518
foreign currencies	13,432			\$23,908,211	\$20,248,301
	\$ 6,235,586				
Premiums	17,672,625	15,741,545			
	\$23,908,211	\$20,248,301			

MARINE AND AVIATION DEPARTMENTS

Fund at beginning of year			Losses incurred	\$ 1,866,865	\$ 2,527,517
Reserve for unexpired risks . .	\$ 1,132,814	\$ 1,003,646	Commission	442,356	962,613
Add—adjustment to			General Expenses	142,204	124,392
Statutory Basis Canadian			Taxes	24,178	42,553
and British Insurance			Fund at end of year		
Companies Act	5,217		Reserve for unexpired risks . .	523,794	1,132,814
	\$ 1,138,031		Transfer to Profit and		
Premiums	1,951,797	3,467,970	Loss Account	90,431	(318,273)
	\$ 3,089,828	\$ 4,471,616		\$ 3,089,828	\$ 4,471,616

INVESTMENT DEPARTMENT

Interest, Dividends and			Loss on Sale and Maturity		
Rents Earned	\$ 2,113,090	\$ 1,809,081	of Securities (net)	\$ 5,628	\$ (58,086)
			Investment Expenses	37,510	36,505
			Transfer to Profit and		
			Loss Account	2,069,952	1,830,662
	\$ 2,113,090	\$ 1,809,081		\$ 2,113,090	\$ 1,809,081

PROFIT AND LOSS ACCOUNT

Balance at January 1st	\$15,765,208	\$15,348,916	Provision for Income		
Add—Transfers from—			Taxes	\$ 942,955	\$ 271,834
Accrued Expenses and			Additional provision for		
Contingencies	180,000		Staff Benefits		34,900
Accrued Taxes	58,000		Accounts written off and		
Provision for Staff Benefits	432,482		sundry items	2,579	1,915
Catastrophe Reserves	500,000		Dividends declared on		
Investment Reserve	1,100,000		Capital Stock	1,247,400	947,100
Reserve for Bad and			Balance at December 31st . .	16,385,882	15,765,208
Doubtful Accounts	23,000				
	\$18,058,690				
Deduct—Transfer to—					
Reserve for unearned					
premiums on unexpired					
risks	2,194,884				
	\$15,863,806				
Revenue Account balances:—					
Fire	157,778	48,512			
Casualty	350,110	86,518			
Marine and Aviation	90,431	(318,273)			
	\$ 598,319	\$ (183,243)			
Investment Revenue					
Account balance	2,069,952	1,830,662			
Profit on Foreign Exchange	46,739	24,622			
	\$18,578,816	\$17,020,957		\$18,578,816	\$17,020,957

BALANCE SHEET AS AT 31st DECEMBER, 1966

ASSETS			LIABILITIES		
	1966	1965		1966	1965
Cash in Banks and on hand..	\$ 1,733,437	\$ 2,956,830	Losses under adjustment....	\$15,589,798	\$14,849,589
Government and Government Guaranteed Bonds.....	11,852,182	13,821,362	Balances due to other Companies.....	3,283,784	3,450,214
Municipal and Municipal Guaranteed Bonds.....	4,033,496	3,881,171	Accrued Expenses.....	523,000	685,000
Public Utility Bonds.....	1,690,165	1,520,165	Accrued Taxes.....	1,355,000	741,000
Other Corporation Bonds...	7,605,163	5,332,712	Sundry Liabilities.....	281,971	225,035
Preferred Stocks.....	3,039,350	2,777,176	Provision for Staff Benefits..		432,482
Common Stocks.....	7,020,579	4,613,537	Catastrophe Reserves.....	75,000	575,000
Shares in Subsidiary Companies.....	917,373	917,373	Investment Reserve.....		1,100,000
Mortgage Loans on Real Estate.....	480,000		Reserve for foreign exchange	150,000	150,000
Company's Premises (less depreciation).....	1,987,689	2,025,689	Reserve for unearned premiums on unexpired risks.....	13,380,700	10,573,654
Accrued Interest.....	282,462	281,417		\$34,639,253	\$32,781,974
Agents' Balances.....	10,013,542	8,337,903	Capital Stock.....	1,540,000	1,540,000
Balances due from other Companies.....	1,909,697	3,621,847	Surplus.....	16,385,882	15,765,208
	<u>\$52,565,135</u>	<u>\$50,087,182</u>		<u>17,925,882</u>	<u>17,305,208</u>
				<u>\$52,565,135</u>	<u>\$50,087,182</u>

D. B. MARTIN, *President.*

TORONTO, 16th March, 1967.

W. G. CHAPMAN, *Secretary.*

AUDITOR'S REPORT

I certify that, in accordance with the By-laws of The Western Assurance Company, I have conducted a continuous running audit for the year 1966 of the books and accounts of the Company maintained in Canada, and I have examined reports or certificates in respect of the books and accounts of the Company maintained outside of Canada and have obtained all information and explanations required by me. I have seen the securities or certificates therefor representing the Company's investments maintained in Canada and have verified the cash and bank balances in the Canadian accounts and have been supplied with reports or certificates in respect of the Company's investments, cash and bank balances maintained outside of Canada. In my opinion, based on such audit, reports and certificates, the statements attached are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of my information and the explanations given to me, and as shown by the books of the Company.

I further certify that the Register of Stockholders and the records required to be kept by THE CANADIAN AND BRITISH INSURANCE COMPANIES ACT, 1952, and by the Company's Act of Incorporation, have, in my opinion, been adequately kept.

I have also made a similar audit of the books and accounts of the Company's subsidiaries.

TORONTO, 10th March, 1967.

CHARLES G. WILLS, *Auditor.*